

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Required Report - public distribution

**Date:** 9/6/2013

**GAIN Report Number:** NL3026

## EU-28

### Livestock and Products Annual

#### *Recovery of Production Ahead*

**Approved By:**

Mary Ellen Smith

**Prepared By:**

Bob Flach

**Report Highlights:**

After significant production cuts in 2012, EU beef and pork production are expected to rebound. EU beef production is forecast to increase in 2014, and pork production in 2015. The main drivers are the increased efficiency of the sector, high carcass and milk prices, relatively low feed prices, and the abolishment of the milk quota in 2015. The recovery is however restricted to a minority of Member States, and exportable supplies are expected to be limited.

## Executive Summary

### **Cattle & Beef** - *The EU is rebuilding its cattle stocks.*

During 2012 – 2014, the EU cattle herd is expected to expand by about 1 million animals. This expansion will be supported by relatively low feed prices, high carcass and milk prices and the abolishment of the milk quota in 2015. In 2014, the bigger herd is anticipated to result in elevated slaughter. The most significant recovery in slaughter and beef production is forecast to take place in Ireland. Imports of beef are expected to stagnate during 2013 and 2014 due to limited consumer demand and a tight supply on the world market. Some further growth of beef imports from Australia and Uruguay may occur under the High Quality Beef quota.

### **Swine & Pork** - *EU animal welfare regulations cut the breeding herd.*

New EU animal welfare regulations cut the number of sows by 4.2 percent in 2012. Despite this cut, the pig crop is anticipated to recover in 2014, based on increased productivity of the breeding herd, lower compound feed prices and elevated carcass prices. Given the lag time of the growth cycle, slaughter and pork production are not expected to recover before 2015. Due to the limited supply of pork, exports are not anticipated to reach the record level reached in 2012. During 2013 and 2014, China is forecast to be the main growth market for EU pork with Germany, Spain, Denmark and Poland as the main suppliers.

### **Policy**

-In August 2012, the High Quality Beef (HQB) quota was enlarged from 20,000 MT to 48,200 MT. The HQB quota is expected to be fully used by the end of the 2013/2014 quota year.

-In the spring of 2013, meat and other food products labeled as containing beef were identified to include horsemeat. Many EU Member States reacted by installing testing programs for meat species and recalled mislabeled product from retail shelves.

-Since January 1, 2013, the EU pig housing directive, including animal welfare regulations for pregnant sows has been implemented. In August 2013, a Commission inquiry with Member States indicated that 13 out of the 27 member states met the implementation deadline with a 90 percent compliance rate.

-On July 1, 2013, Croatia became the 28th EU Member State. Because Croatia is a net meat importer, its EU accession will not significantly impact the EU market.

## Cattle

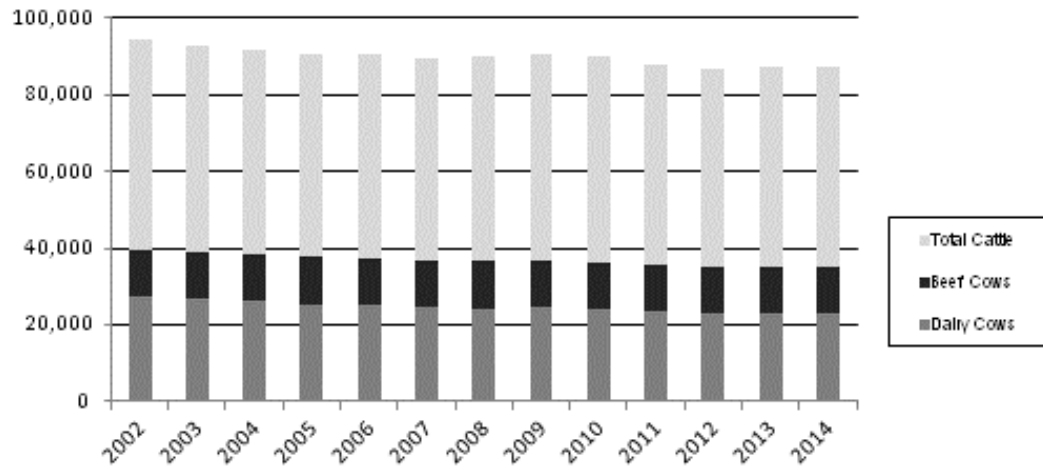
Country	EU-28					
Commodity	Animal Numbers, Cattle (1,000 Head)					
	USDA Official [EU-28]	Posts estimates [EU-28]	USDA Official [EU-28]	Posts estimates [EU-28]	USDA Official [EU-28]	Posts estimates [EU-28]
Market Year	2012		2013		2014	
Total Cattle Beg. Stocks	86,697	86,697	87,102	87,102	0	87,550
Dairy Cows Beg. Stocks	23,051	23,051	23,204	23,204	0	23,200
Beef Cows Beg. Stocks	12,190	12,190	12,076	12,076	0	12,100
Production (Calf Crop)	30,000	29,970	29,000	29,800	0	29,900
Extra EU28 imports	0	0	0	0	0	0
<b>TOTAL SUPPLY</b>	<b>116,697</b>	<b>116,667</b>	<b>116,102</b>	<b>116,902</b>	<b>0</b>	<b>117,450</b>
Extra EU28 exports	681	681	750	550	0	540
Cow Slaughter	11,572	11,541	11,950	11,500	0	11,450
Calf Slaughter	6,923	6,952	7,330	6,900	0	6,900
<b>Total Slaughter</b>	<b>27,419</b>	<b>27,384</b>	<b>28,200</b>	<b>27,300</b>	<b>0</b>	<b>27,600</b>
Loss	1,495	1,500	802	1,502	0	1,510
Ending Inventories	87,102	87,102	86,350	87,550	0	87,800
<b>TOTAL DISTRIBUTION</b>	<b>116,697</b>	<b>116,667</b>	<b>116,102</b>	<b>116,902</b>	<b>0</b>	<b>117,450</b>

Not Official USDA data. Source: Eurostat and FAS Offices in the EU.

### The EU is rebuilding its cattle stocks.

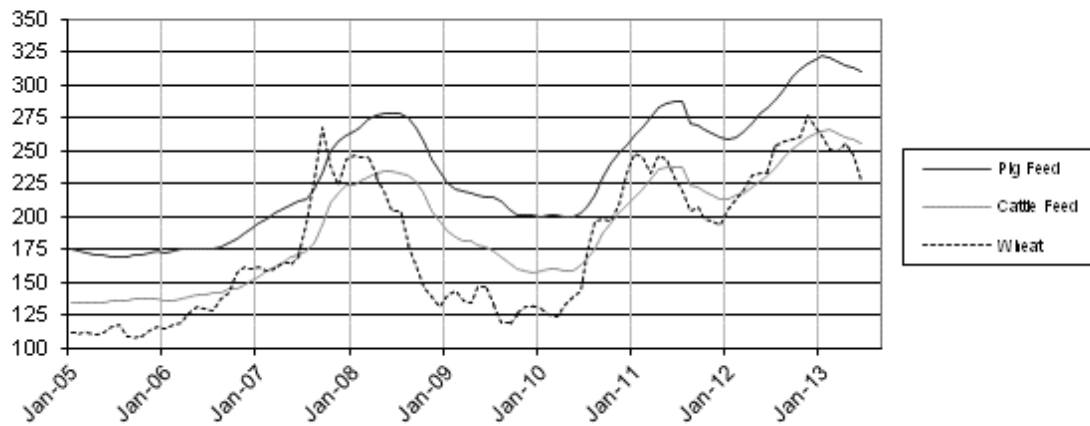
In 2012, the EU cattle stock expanded for the first time since 2008. The expansion is expected to continue during 2013 and 2014. This rebuilding of animal stocks is a result of a recovery of the cow herd, relatively low slaughter of animals and reduced exports to third countries. During the first half of 2013, high fodder prices constrained the calf crop. But during the second half of 2013 and the first half of 2014, low feed prices and firm carcass and milk prices are expected to support the recovery of both calf production and slaughter (see graphs below). Another factor is the abolishment of the milk quotas in 2015. In anticipation of the liberalization of the dairy market a recovery of the dairy cow herd is anticipated in Ireland, the Benelux countries, Germany and Italy. In most other EU Member States, the dairy herd is shrinking mainly due to the phasing out of government support programs and increased competition on the EU domestic market. The beef cow herd is expected to only significantly increase in Ireland, driven by the good demand for Irish cattle and beef. Intra-EU demand for Irish calves has made a strong recovery thus far in 2013. The main markets are the Netherlands, Spain, Belgium and France.

**EU-28 Cattle Beginning Stocks  
(1,000 Head)**

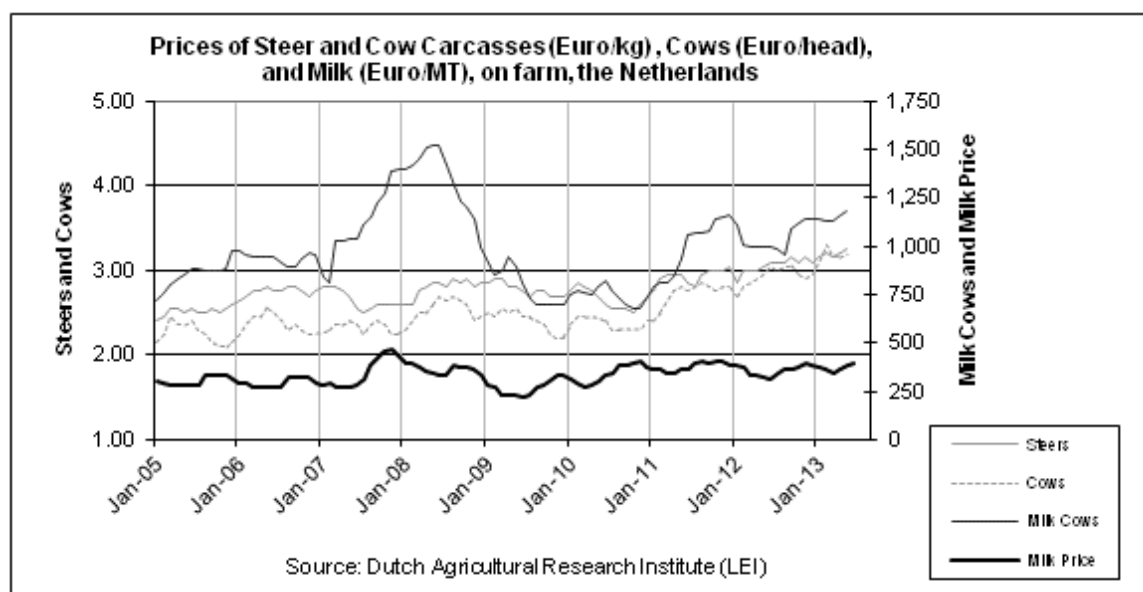


Source: USDA/FAS

**Compound Feed and Wheat Prices  
(Euro per MT, on farm, the Netherlands)**



Source: Dutch Agricultural Research Institute (LEI)



#### EU cattle exports are falling.

During 2011 and 2012, the EU herd retracted partly due to elevated exports of animals to Turkey. In 2013, EU live cattle exports are forecast to decline, mainly due to limited availability. Exports to Northern Africa and the Middle East are recovering from the closure of markets in response to the Schmallenberg virus (SBV) outbreak in 2011 and 2012, but are not expected to balance the decrease in exports to Turkey.

#### EU slaughter is expected to find its low point in 2013.

During the first half of 2013, slaughter in official slaughterhouses, not including backyard slaughter, was reduced by 4.3 percent. The lower slaughter is a result of a lower supply of animals and farmers rebuilding their herd. The most significant cuts in slaughter are reported in France and Germany. In both states, farmers invested more in dairy production than in beef production due to the end of the milk quota. This results in a decreased number of slaughtered bulls which leads to a decline in total slaughter numbers and a lower average slaughter weight. In 2014, the expansion of the herd is expected to result in higher slaughter numbers. This recovery is forecast to be most pronounced in Ireland, the Iberian Peninsula and Italy.

## Beef

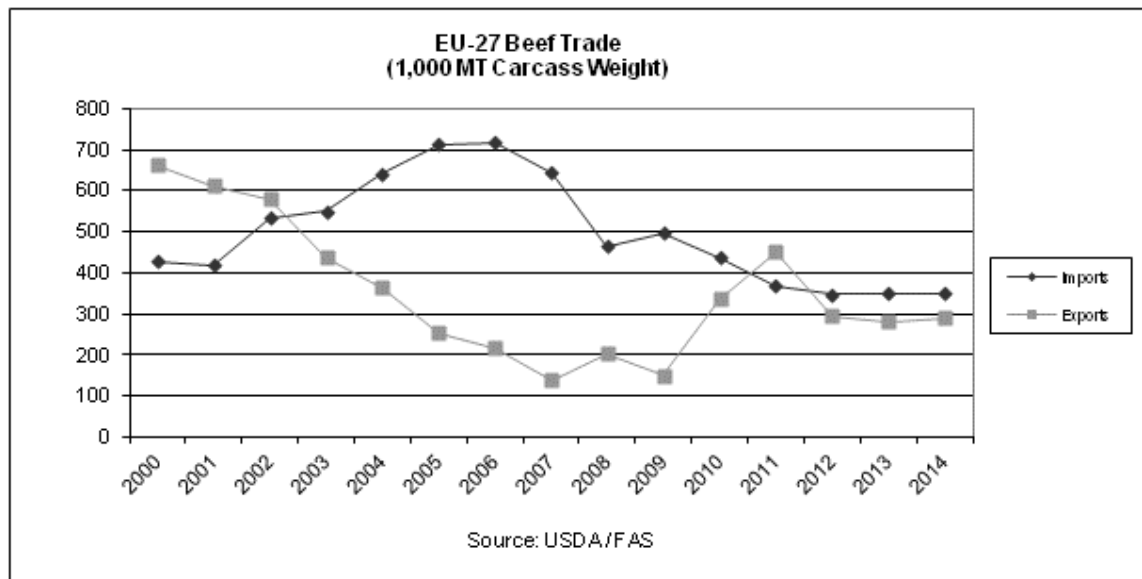
Country	EU-28					
Commodity	Meat, Beef and Veal (1,000 Head)(1,000MT CW)					
	USDA Official [EU-28]	Posts estimates [EU-28]	USDA Official [EU-28]	Posts estimates [EU-28]	USDA Official [EU-28]	Posts estimates [EU-28]
	2012		2013		2014	
Slaughter (Reference)	27,419	27,384	28,200	27,300	0	27,600
Beginning Stocks	0	0	0	0	0	0
Production	7,784	7,711	7,735	7,690	0	7,760
Extra EU28 imports	347	347	350	350	0	350
TOTAL SUPPLY	8,131	8,058	8,085	8,040	0	8,110

Extra EU28 Exports	296	296	300	280	0	290
TOTAL Domestic Use	7,835	7,762	7,785	7,760	0	7,820
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	8,131	8,058	8,085	8,040	0	8,110

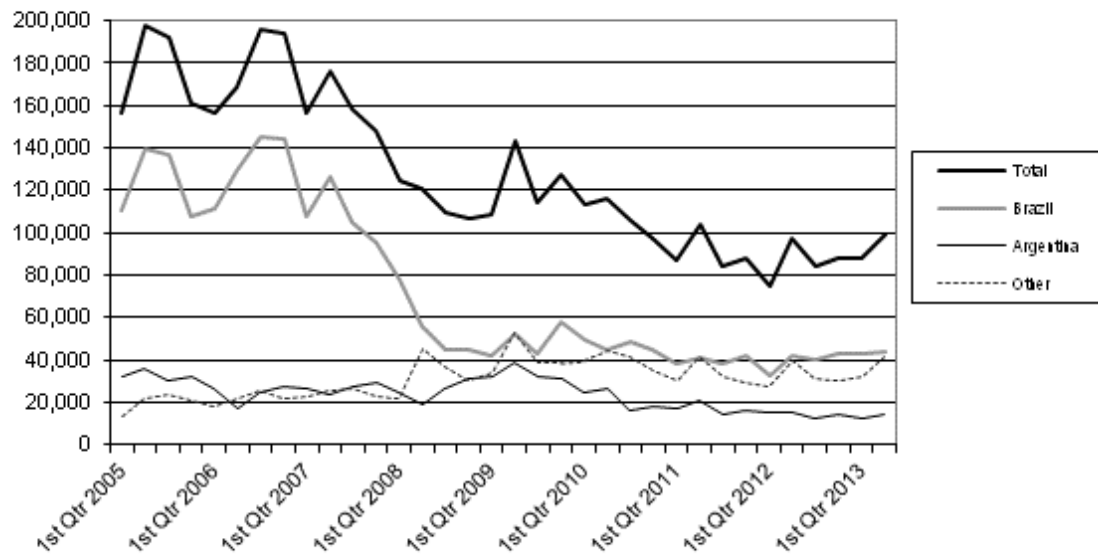
Not Official USDA data. Source: Eurostat and FAS Offices in the EU.

The EU beef supply is expected to tighten further during 2013.

As a consequence of reduced slaughter, EU beef production is expected to decline in 2013. The average slaughter weight is forecast to remain about the same. In France, Germany and Romania, the average slaughter weight is falling due to the high share of dairy cows being slaughtered relative to beef cattle. While overall in the EU, slaughtered animals are expected to be heavier during the last quarter of 2013 as a result of better availability of feed. During the first half of 2013, the tightening EU beef supply has been somewhat relieved by increased imports and lower exports (see graphs below). Beef imports increased from Brazil, Uruguay, Australia and the United States. During the second half of 2013, however, EU imports are expected to stagnate as a consequence of limited availability on the world market. Since March 2013, China purchased about an additional 130,000 MT of frozen beef from Australia, New Zealand and Uruguay. Imports from Brazil could be further supported by the depreciation of the Real against the Euro, but the EU market reportedly already holds stocks of Brazilian beef. Some further growth is possible of beef imports from Australia and Uruguay under the High Quality Beef Quota (see Policy chapter). Imports from the United States are expected to stagnate due to the high domestic prices of beef resulting from dry weather conditions.

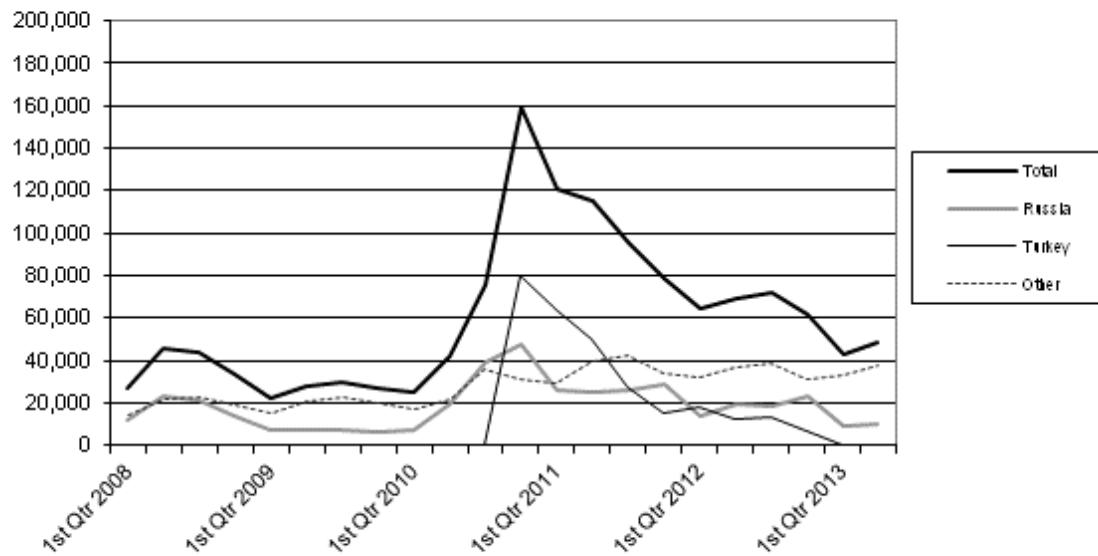


**Quarterly EU-27 Beef Imports  
(MT Fresh/Frozen/Processed, Carcass Weight)**



Source: Global Trade Atlas

**Quarterly EU-27 Beef Exports  
(MT Fresh/Frozen/Processed, Carcass Weight)**



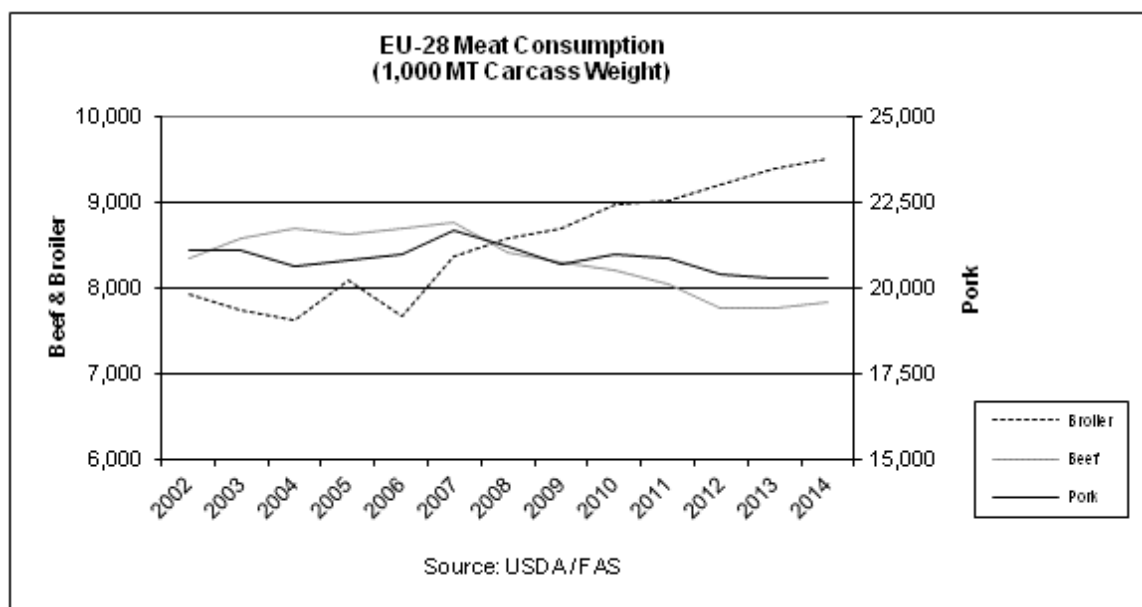
Source: Global Trade Atlas

EU beef production is expected to rebound in 2014.

With the increased slaughter, beef production is expected to rebound in 2014. The most significant recovery is forecast to take place in Ireland. Ireland is performing well on the domestic markets, as well as on the EU and third country beef export markets. The horsemeat scandal has supported sales of Irish beef as retailers are trying to shorten their supply chains, which favors Irish beef above beef from third countries. In 2014, beef production is also expected to increase in Spain and Portugal after the significant cuts in production this year.

In 2014, the EU demand for beef is expected to remain weak.

The dwindling buyer power of consumers and rising beef prices have significantly cut beef consumption since 2008. During 2012 – 2014, the most significant cuts are reported in Italy and Spain. The horsemeat scandal had hardly any effect on total beef demand as it was a mislabeling issue, not a food safety issue. Consumers in several EU Member States reacted by increasing purchases of intact beef instead of minced and processed meat. This led prices for prime quality cattle to increase in many Member States, with prices in the United Kingdom reaching all-time record levels in July 2013. At the expense of beef sales, broiler meat is gaining popularity due to its lower price, perceived health advantages and convenience (see graph below). As a consequence of the weak domestic demand and tight supply on the world market, imports are forecast to stagnate while the additional domestic supply will be exported on the world market, with Russia as the main destination.





## Swine

Country	EU-28					
Commodity	Animal Numbers, Swine (1,000 Head)					
	USDA official [EU-28]	Posts estimates [EU-28]	USDA official [EU-28]	Posts estimates [EU-28]	USDA official [EU-28]	Posts estimates [EU-28]
Market Year Begin	2012		2013		2014	
TOTAL Beginning Stocks	149,790	149,790	147,011	147,011	4	145,250
Sow Beginning Stocks	13,253	13,253	12,689	12,698	0	12,550
Production (Pig Crop)	257,236	257,700	260,989	257,000	0	258,000
Extra EU28 imports	2	2	2	0	0	0
<b>TOTAL SUPPLY</b>	<b>407,028</b>	<b>407,492</b>	<b>408,002</b>	<b>404,011</b>	<b>0</b>	<b>403,250</b>
Extra EU28 exports	743	743	1,200	500	0	500
Sow Slaughter	4,458	4,612	4,000	4,580	0	4,480
Total Slaughter	252,410	252,846	253,000	251,570	0	251,100
Loss	6,864	6,892	6,402	6,691	0	6,650
Ending Inventories	147,011	147,011	147,400	145,250	0	145,000
<b>TOTAL DISTRIBUTION</b>	<b>407,028</b>	<b>407,492</b>	<b>408,002</b>	<b>404,011</b>	<b>0</b>	<b>403,250</b>

Not Official USDA data. Source: Eurostat and FAS Offices in the EU.

### EU animal welfare regulations cut the sow stock more than anticipated.

In the Livestock Semi Annual a recovery of the pig crop was forecast in 2013. The cut in the sow stock was, however, more significant than earlier anticipated. The increased efficiency, expressed as the number of produced piglets per sow per year (see graph below), is not expected to be sufficient to overcome the cut in the EU sow stock. As from January 1, 2013, the new animal welfare regulations for sows have been enforced. These regulations, together with the high feed prices have forced many breeders to stop production. As a result, the EU sow stock shrunk by 4.2 percent in 2012. Eurostat reports the most significant cuts in Spain, Poland, Germany and Italy.

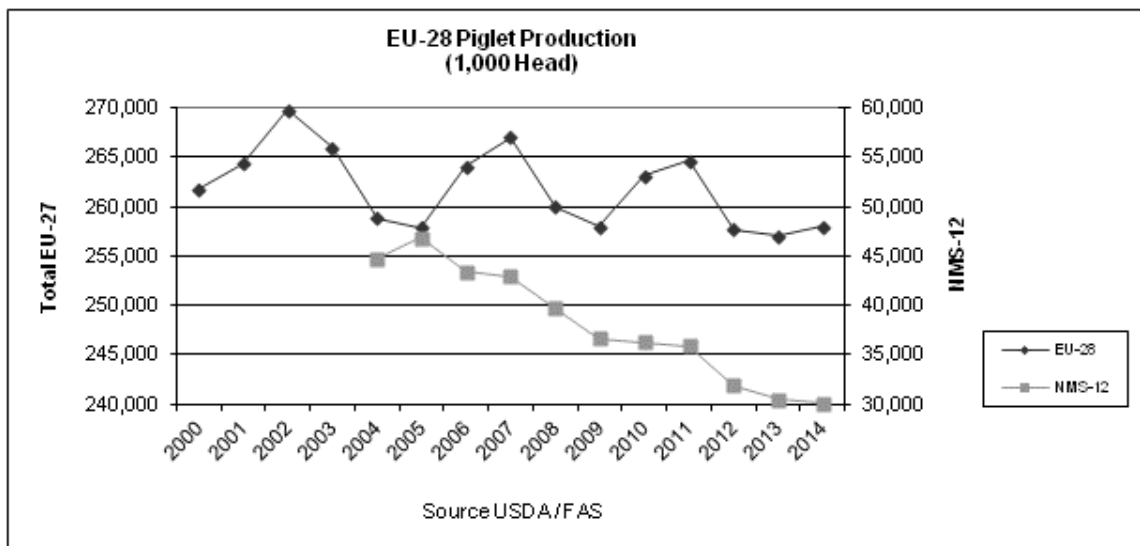
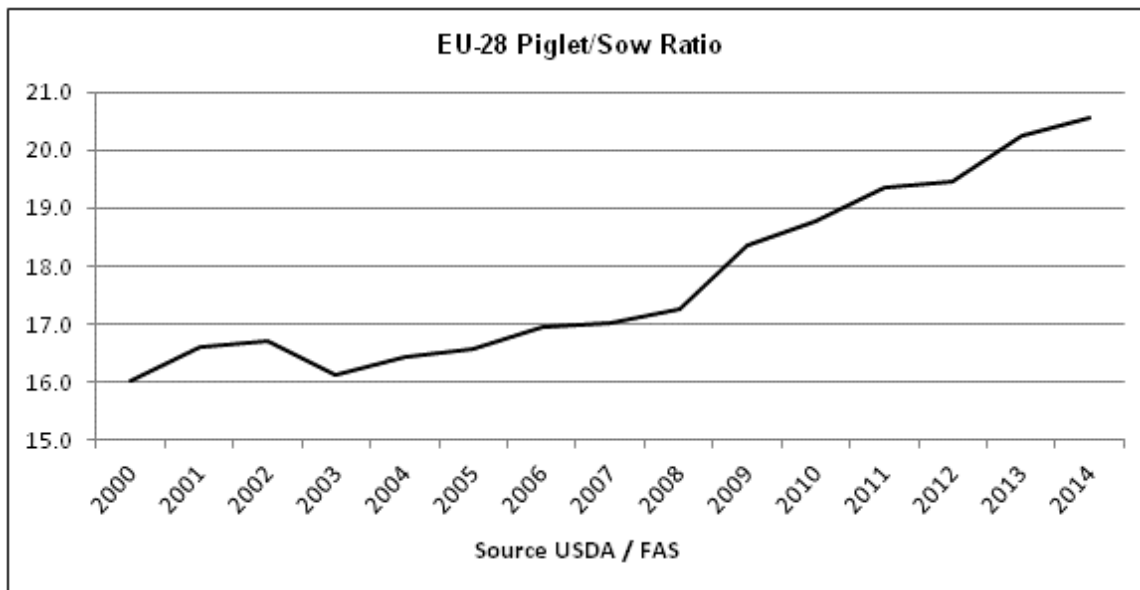
### Crisis in the swine sector is structural in Poland, Hungary and France.

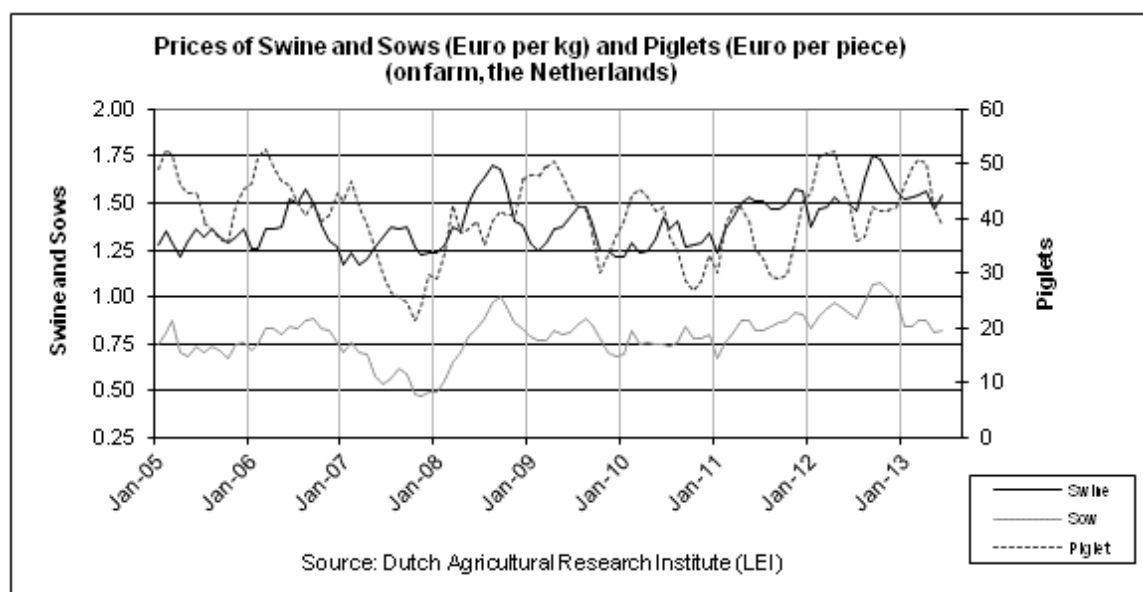
A recovery of total EU pig production is hindered by an ongoing structural crisis in the sector in Poland, Hungary and France. Although pig prices increased in Poland during 2013, the crisis in the swine sector is expected to continue in 2013 and 2014 due to mainly the inefficient structure of the industry, as well as continuing strong competition from Dutch, Danish and German suppliers of piglets and pork. In Hungary, new national regulations such as on manure handling and land leasing are expected to further curtail production. In France, reportedly only about fifty percent of the breeders fully comply with the EU animal welfare regulations, which is anticipated to affect production through 2014. Member States sectors which are in noncompliance may be subject to penalties or withholding of subsidies.

### EU supply of piglets is forecast to recover in 2014.

After enforcement of the animal welfare regulations, the EU swine sector is smaller but is expected to have increased its efficiency. Based on the increased productivity, the pig crop is anticipated to recover in 2014 (see graph below). In addition

to a higher piglet per sow ratio, the upturn will also be supported by elevated carcass prices and lower compound feed prices. Feed prices have declined during the summer and are forecast to fall further after the new harvest. The projected upturn of the pig crop will however be minor and limited to only a few Member States, namely the United Kingdom, the Netherlands, Denmark, Austria and Romania. In these Member States, the sectors are fully, or close to fully compliant with the new welfare regulations. In particular Danish and Dutch breeders are likely to increase their supply of piglets to the Member States which have producers that have cut production or are in noncompliance. Exports to Russia, the main third country market, have been restricted since April 2012, due to the Schmallenberg virus (SBV) outbreak. Despite a recovery of the supply of piglets, pork production is not expected to increase before 2015. During the first half of 2013, official slaughter fell by 1.1 percent. With the lower supply of weaned piglets, slaughter will continue to decline through 2013 and 2014. The projected upturn of the pig crop in 2014 is forecast to increase slaughter and pork production in 2015.





## Pork

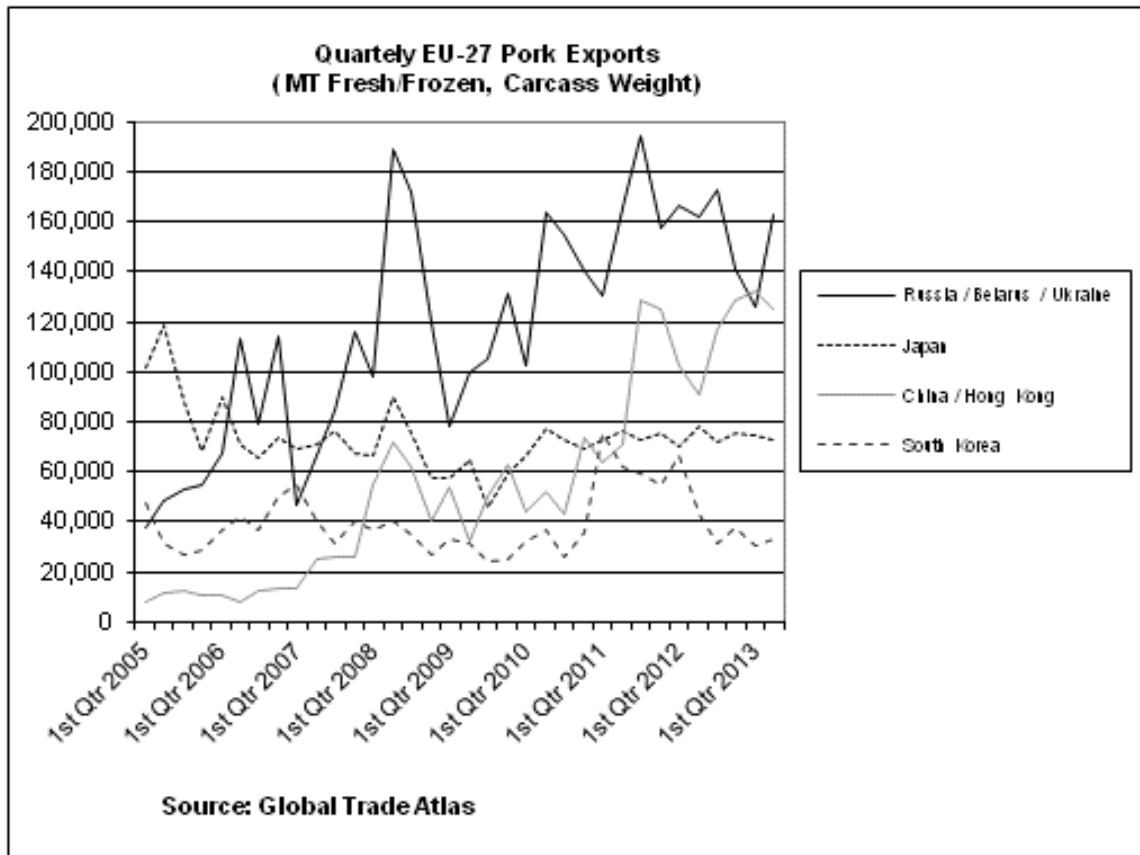
Country	EU-28					
Commodity	Pigmeat (1,000 Head)(1,000 MT CW)					
	USDA Official [EU-28]	Posts estimates [EU-28]	USDA Official [EU-28]	Posts estimates [EU-28]	USDA Official [EU-28]	Posts estimates [EU-28]
Market Year Begin	<b>2012</b>		<b>2013</b>		<b>2014</b>	
Slaughter (Reference)	252,410	252,846	253,000	251,570	0	251,100
Beginning Stocks	0	0	0	0	0	0
Production	22,452	22,526	22,550	22,450	0	22,430
Extra EU28 imports	20	20	20	20	0	20
<b>TOTAL SUPPLY</b>	<b>22,472</b>	<b>22,546</b>	<b>22,570</b>	<b>22,470</b>	<b>0</b>	<b>22,450</b>
Extra EU28 exports	2,172	2,172	2,260	2,150	0	2,150
<b>TOTAL Domestic Use</b>	<b>20,300</b>	<b>20,374</b>	<b>20,310</b>	<b>20,320</b>	<b>0</b>	<b>20,300</b>
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	<b>22,472</b>	<b>22,546</b>	<b>22,570</b>	<b>22,470</b>	<b>0</b>	<b>22,450</b>

Not Official USDA data. Source: Eurostat and FAS Offices in the EU.

During 2013 and 2014, EU pork supply is forecast to remain limited.

With the expected lower slaughter, pork production will fall during 2013 and 2014. Carcass weights are rising due to lower feed costs, but the increase is anticipated not to be sufficient to overcome the lower slaughter. As mentioned in the Swine chapter, in 2013, production cuts were most significant in Poland, Spain, Italy and Germany, while further cuts in 2014 are expected in Poland, Hungary and France. Exceptions are the United Kingdom, Ireland and in lesser extent Romania and

Bulgaria. As reported for beef, consumption of pork is negatively affected by the lower supply, the economic crisis and the increasing popularity of poultry meat.



EU pork exports to China are forecast to further expand.

EU pork exports are not expected to reach the record level reached in 2012. The demand for pork imports in South Korea is on the decline and stagnating in Japan. EU pork exports to Russia, mainly from Denmark, the Benelux countries, Ireland and Poland, are benefitting from the Russian ban on U.S. pork. In 2014, further growth of exports to Russia is expected to be restricted due to the growing Russian domestic supply. During the first half of 2013, exports to China surged with Germany, Spain, Denmark and Poland as the main suppliers. These exports of mainly by-products, of which commonly an oversupply exists, are expected to increase further but not enough to offset the overall balance. In Denmark, the main pork exporter in the EU, pork production is expected to stagnate in 2013 and 2014, and thus no major recovery of exports is forecast. Spain is developing new trade relations with the Asian market, including Japan, Singapore or Taiwan as well as with Mexico, but results are not expected on the short term.

# **Policy**

## **Common Agricultural Policy (CAP) Reform 2014**

Under the next CAP, direct payments to farmers are planned to be harmonized across EU Member States. Eventually all direct payments will become flat rate payments. Because this will hurt beef producers, some coupled payments are considered to remain for suckling cows. Another concern of the sector are the new environmental requirements, also called “greening” measures, which will increase the cost of production for feed and fodder, thus negatively impacting livestock farmers’ margins.

A political agreement on the next CAP was reached in June 2013, but much of the details remain to be worked out under the Lithuanian Presidency before they can be implemented as of 2014. Under the agreement, Member States will maintain the right to continue coupled payments for beef production on a voluntary basis for up to five percent of the national direct payments ceiling.

## **High Quality Beef (HQB) Quota update**

In quota year 2012/2013, EU HQB imports were 33,651 MT, compared to 18,638 MT during the previous quota year. This increase follows the enlargement of the HQB quota from 20,000 MT to 48,200 MT in August 2012. The HQB quota is expected to be fully used by the end of the 2013/2014 quota year.

Commission Regulation (EU) No 101/2013, approving lactic acid as a pathogen reduction treatment (PRT) for beef went into effect on February 25, 2013. While beef treated with lactic acid can now be shipped, U.S. HQB exports treated with lactic acid are slow to come as exporters using PRTs need to develop the necessary hormone-free cattle supply. See for more information the GAIN Report - Two Breakthroughs in U.S. exports to Europe.

## **Fraud with meat origins**

In the spring of 2013, meat and other food products labeled as containing beef were identified to include horsemeat. Many EU Member States reacted by installing testing programs for meat species and recalled mislabeled product from retail shelves. As a result of increased testing, a few cases of horse meat originating from animals which had been treated with clenbuterol were identified, but no meat safety scandal was detected. For more information see the GAIN Report: Dutch Government Recalls 50 Million Kg of Beef.

## **Pig Housing Directive – Animal welfare**

Council Directive 2001/88/EC on pig housing reached its final implementation date on January 1, 2013. Apart from housing requirements for pig fattening, this directive also includes welfare regulations for pregnant sows. The European Commission will reportedly not grant any subsidies or transition programs for the implementation of the animal welfare regulations as the directive provided more than a decade for transition. In August 2013, a Commission inquiry with Member States indicated that 13 out of the 27 member states met the implementation deadline with a 90 percent compliance rate. Infringement procedures, begun in February, continue against nine member states (Belgium, Cyprus, Denmark, France, Germany, Greece, Ireland, Poland and Portugal). The Commission is still investigating the situation in the remaining six countries (the Netherlands, Italy, Hungary, Finland, Slovenia and Croatia).

## **Accession of Croatia to the EU**

On July 1, 2013, Croatia became the 28th EU Member State. Because Croatia is a net meat importer, its EU accession will not significantly impact the EU market.

#### DISCLAIMER

The numbers in the PSDs in this report are not official USDA numbers, but they result from a collaborative effort by FAS EU offices to consolidate PSDs from all 28 EU member states.

This report is the result of active collaboration with the following EU FAS colleagues in the following member states:

Xavier Audran from FAS Paris covering France  
Ornella Bettini from FAS Rome covering Italy and Greece  
Mila Boshnakova from FAS Sofia covering Bulgaria  
Monica Dobrescu from FAS Bucharest covering Romania  
Bob Flach from FAS The Hague covering the Benelux and Nordic countries  
Steve Knight from FAS London covering the United Kingdom and Ireland  
Roswitha Krautgartner from FAS Vienna covering Austria  
Jana Mikulasova and Petra Hrdlickova from FAS Prague covering the Czech Republic and Slovak Republic  
Andreja Misir from FAS Zagreb covering Croatia  
Ferenc Nemes from FAS Budapest covering Hungary and Slovenia  
Yvan Polet from FAS Brussels / U.S. Mission to the EU  
Leif Rehder from FAS Berlin covering Germany  
Piotr Rucinski from FAS Warsaw covering Poland, Estonia, Latvia and Lithuania  
Carmen Valverde from FAS Madrid covering Portugal and Spain

#### NOTE

In this report the following HS codes and conversion factors are used:

	HS codes	Conversion factors
<b>Beef</b>	0201, 0202	PWE X 1.40 = CWE
	021020, 160250	PWE X 1.79 = CWE
<b>Pork</b>	0203, 021011, 021012, 021019, 160241, 160242, 160249	PWE X 1.30 = CWE

PWE = Product Weight CWE = Carcass Weight

#### ABBREVIATIONS

EC: European Commission  
EU: All twenty-eight Member States of the European Union.  
MS: An EU Member State  
NMS: The thirteen new Member States which joined the EU in May 2004, January 2007 and July 2012  
Benelux countries: Belgium, the Netherlands and Luxembourg  
Nordic countries: Denmark, Sweden and Finland

Related reports from FAS Post in the European Union:

Country	Title	Date
Romania	Bovine Genetics suppliers regain direct access to Romanian farms	08/16/13
Romania	Foreign Bovine Genetics Access to the Romanian Market Threaten	06/10/13
Poland	General Guidance on Exporting U.S. High Quality Beef to the EU	06/07/13
Netherlands	Dutch Government Recalls 50 Million Kg of Beef	04/23/13
EU-27	Livestock and Products Semi Annual	03/01/13
Poland	Poland's Swine Sector Under Stress	02/13/13
EU-27	Two Breakthroughs in U.S. exports to Europe	02/11/13
Poland	Poland Bans Ritual Slaughter of Animals	01/10/13
Czech Rep.	Czech Agricultural Minister Approved Rates for Specific Support	12/05/12
Slovakia	Anthrax Occurrence in Slovakia	11/23/12
Germany	New Animal Welfare Standards Can Impact Trade	10/30/12
Germany	Germany plans to reduce the use of antibiotics in animal husbandry	10/17/12
Norway	Norway Plans to Change Import Tariffs	10/12/12
EU-27	EFSA confirms opinion on safety of animal cloning	09/21/12
EU-27	Livestock and Products Annual	09/03/12
Germany	Anthrax outbreak in cattle herd in Germany	07/24/12
EU-27	EU Launches Animal Welfare Strategy 2012-2015	06/28/12
EU-27	Changes to the EU High Quality Beef Quota Published	06/19/12

The GAIN Reports can be downloaded from the following FAS website:

<http://gain.fas.usda.gov/Pages/Default.aspx>

-For additional livestock market related information, please contact:

Bob Flach (FAS The Hague)

Phone: ++31 70 310 2303

E-mail: bob.flach@fas.usda.gov

-For additional livestock policy related information, please contact:

Yvan Polet (FAS Brussels U.S. Mission to the EU)

Phone: ++32 2 811 4095

E-mail: yvan.polet@fas.usda.gov